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August 25, 2008

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BY HAND

Hon. George B. Daniels
United States District Judge
Southern District of New York
Daniel Patrick Moynihan Courthouse
500 Pearl Street, Room 630
New York, NY 10007

Re: In re Calpine Corp.: 1:07-cv-03088 (UA)

Dear Judge Daniels:

We are counsel for appellants (i) HSBC Bank USA, National Association, as Indenture Trustee (the "Trustee") for the holders of \$640,000,000 of Second Priority Secured Floating Rate Notes Due 2010 (the "Second Priority Notes") issued by Calpine Generating Company, LLC and CalGen Finance Corp. (collectively, "CalGen") and (ii) The Bank of New York, as Administrative Agent (the "Administrative Agent" and together with the Trustee, the "Second Priority Debt Representatives") for the holders of CalGen's \$100,000,000 of Second Priority Secured Institutional Term Loans Due 2010 (the "Second Priority Loans"), in the above-referenced consolidated appeals from orders of the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court"). We are writing on behalf of our clients, and on behalf of the reorganized debtors, Calpine Corp., et al. (the "Debtors"), and the Official Unsecured Creditors' Committee of Calpine Corp., et al. (the "Creditors' Committee").

We are writing to inform Your Honor that the Second Priority Debt Representatives, the Debtors, and the Creditors' Committee have reached an agreement in principle settling all of the claims of the Second Priority Debt Representatives, including the appeals between the foregoing parties relating to the Second Priority Notes and the Second Priority Term Loans. The Second Priority Debt Representatives, Debtors, and the Creditors' Committee are currently finalizing the terms of a stipulation that will document the settlement, and expect to submit it to the Bankruptcy Court promptly for approval. Counsel for the Debtors and counsel for the Creditors Committee have reviewed and join in this letter.

As a result of the settlement, the issues raised on appeal by the Second Priority Debt Representatives will be resolved. Pending final approval of the foregoing settlement by the

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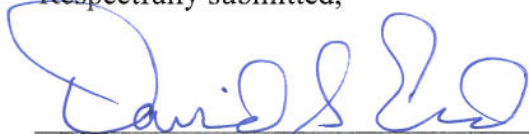
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Bankruptcy Court, we, together with the Debtors and the Creditors' Committee, ask that Your Honor defer issuing any ruling relating to the issues in the pending appeal.

The foregoing settlement would not resolve the appeal before Your Honor by the trustee of the third priority debt of CalGen, nor would it resolve the appeal by the Debtors and the Creditors' Committee with respect to the third priority debt.

We thank Your Honor for your consideration.

Respectfully submitted,



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cc: Martin J. Bienestock
Judy G.Z. Liu